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RUEHCV/AMEMBASSY CARACAS 1558  
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RUEHSG/AMEMBASSY SANTIAGO 8740  
RUCPDOC/DEPT OF COMMERCE WASHINGTON DC  
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UNCLAS LA PAZ 001341

SIPDIS

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STATE FOR WHA/AND LPETRONI  
STATE PASS TO USTR FOR BHARMAN  
COMMERCE FOR JANGLIN  
TREASURY FOR SGOOCH

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TAGS: ETRD EINV ECON PREL PGOV BL

SUBJECT: GOB CONTINUES TO FOCUS ON ATPDEA EXTENSION

REF: A. LA PAZ 1271

1B. LA PAZ 1100

11. (SBU) Summary: Bolivia's vice minister of trade and exports told Econoffs May 17 that GOB officials remained interested in an extension of the Andean Trade Promotion and Drug Eradication Act (ATPDEA), believing additional time would provide "space" for the government to define its trade policies (ref A). GOB officials have largely ignored a recent study suggesting that 300,000 jobs are directly or indirectly related to exports and have placed little stock in reports that some Bolivian businessmen are considering moving their operations to Chile, thanks in part to a Chilean government-backed plan to bring investors to Arica and other cities. Econoffs advised that an ATPDEA extension appeared unlikely and suggested the GOB begin to consider alternatives. End summary.

12. (SBU) In a May 17 meeting, Vice Minister of Trade and Exports Gustavo Barbero told Econoffs that GOB officials remained interested in an extension of the Andean Trade Promotion and Drug Eradication Act (ATPDEA), largely because they believed additional time would provide "space" for the Morales administration to define its trade policies (ref A). Barbero admitted that the GOB's economic objectives were unclear and said it was difficult to explain the goals of Morales' proposed Peoples' Trade Agreement, as even this was poorly defined (ref B). Barbero could only repeat the GOB's standard declaration that the pact is meant to be a model of "mutually beneficial" trade arrangements.

13. (SBU) GOB officials have largely ignored a recent study, prepared by the National Statistics Institute, the Bolivian Institute of Foreign Trade, the National Chamber of Exporters, and the Unit for Social and Economic Policy Analysis, suggesting that an estimated 42,000 direct and 328,000 indirect jobs are tied to exports. Responses from surveyed businesses indicate that 55 percent of firms export to the United States, Europe, the Andean Community, Mexico,

and Chile under some type of trade agreement (with nearly a third of these relying on ATPDEA) and show that 45 percent of jobs directly attributable to exports are in the department of La Paz, many of them in the restive satellite city of El Alto, whose residents have loudly demanded that the GOB boost employment. Despite the study's findings, GOB officials have thus far shown little inclination to seriously consider the effects of exporters' potential loss of ATPDEA trade preferences.

¶4. (SBU) Officials have placed equally little stock in reports that some Bolivian businessmen, including leading gold jewelry exporters, are considering moving their operations to Chile, thanks in part to "Plan Arica," a Chilean government-backed plan to bring foreign investors to Arica and other cities. The incentive package allows new investors to collect up to half of the costs of pre-investment studies from the Chilean government; to count up to 40 percent of investment costs against future corporate taxes; to benefit from certain tax exemptions; to take advantage of Chilean government-sponsored worker training subsidies of up to \$2,000 per employee; and to transfer part of their existing workforces to Chile. For many Bolivian exporters, these are attractive options, particularly since Chile's free trade agreement with the United States would allow them continued preferential access to U.S. markets. The Chilean government has also offered Bolivian exporters the services of a rules-of-origin expert to help determine which parts of the production process might be able to remain in Bolivia and still allow the final product to qualify as a Chilean export.

¶5. (SBU) Econoffs advised Vice Minister Barbery that an ATPDEA extension appeared unlikely and suggested the GOB begin to consider alternatives. Econoffs noted that Bolivia's window of opportunity was probably narrow, particularly given the June 2007 expiration of President Bush's trade promotion authority. Barbery promised to take this into account but said Ministry of Foreign Affairs officials were in the process of drafting a letter formally requesting an ATPDEA extension, with hopes of sending it to the Ambassador within the next few weeks.

¶6. (SBU) Comment: Despite repeated warnings that an ATPDEA extension appears unlikely, GOB officials continue to state publicly and privately that this is their aim. At times, they seem oblivious to the negative impact of the recent hydrocarbons nationalization and the harsh tone of President Morales and other GOB officials' anti-free trade, anti-U.S. comments on their hopes of achieving some form of commercial agreement with the United States. Even now, GOB officials appear convinced they need only ask to have their request granted. Receiving a formal request for an ATPDEA extension would provide an opportunity for us to say officially that the USG does not consider this a realistic possibility. While the timing of our response would have to be carefully considered, a negative reply may help GOB officials (and the Bolivian private sector) realize they must move on and consider other options - even a free trade agreement under another name - to preserve Bolivian jobs, which are already in short supply. End comment.

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